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ESG FUND GUIDELINES

Certification & Anti-Greenwashing Measures

DISCLOSURE AND REPORTING GUIDELINES FOR ESG FUNDS

On 10th March 2025, the Financial Services Commission of Mauritius (FSC) issued the **Disclosure and Reporting Guidelines for ESG Funds** (the “Guidelines”) under section 7(1)(a) of the Financial Services Act. The Guidelines introduce a framework for accountability and transparency in the ESG (Environmental, Social, and Governance) investment space. The Guidelines came into effect on 24th March 2025 and are set to redefine the operational and reporting standards for ESG designated funds in Mauritius.

Investors are increasingly drawn to ESG-focused funds; with this rise has come the threat of “greenwashing”, where funds market themselves as ESG-aligned without substantiating their claims, misleading investors. To protect investors, the FSC requires ESG funds to clearly and transparently disclose their goals, strategies, benchmarks, by introducing mandatory disclosures, reporting standards, and most importantly, independent certification.

Going forward, all new ESG Funds or existing funds seeking to modify their investment objectives to adopt an ESG focus will need to comply with the newly established requirements. Existing ESG Fund will need to apply for registration and submit revised offering documents, including the certification to the FSC by 1st August 2025 to align with these new standards.

Once registered with the FSC, the ESG Funds will be included in the FSC’s ESG Register, which will be accessible on the FSC’s website, enhancing their visibility.

Scope of the Guidelines

An ESG Fund refers to Collective Investment Schemes (CIS) and Closed-end Funds (including sub-funds of Variable Capital Companies) where ESG factors are the core investment focus, meaning that at least two-thirds of the fund’s Net Asset Value (NAV) is invested in assets aligned with ESG principles.

The FSC has made it clear that only qualifying ESG Funds may use ESG-related terms in their name or marketing materials. This includes words such as “ESG”, “Green”, “Sustainable”, “Social”, or “Environment”.

Funds failing to meet the two-thirds threshold will need to bring their portfolios into compliance within 90 days, or face regulatory consequences, including removal from the FSC’s ESG Register.

Greenwashing Risk and Regulatory Response

The International Organization of Securities Commissions (IOSCO) defines greenwashing as “*the practice of misrepresenting*”

sustainability-related practices or the sustainability-related features of investment products.”

The Guidelines have been issued in response to the IOSCO’s *Recommendations on Sustainability Related Practices, Policies, Procedures and Disclosure in Asset Management Report (2021)*, urging regulators to improve product-level ESG disclosures to reduce the risk of greenwashing.

Certification Requirements

With the newly enforced Guidelines, the FSC has introduced mandatory certification mechanisms to validate ESG claims made by investment funds, with two main certification stages as follow:

1. Offering Document Certification

Firstly, the ESG Funds’ offering document will need to be accompanied by either an independent third-party certification, or a self-certification, which will confirm that the Fund’s investment objectives and strategies are aligned with the UN Sustainable Development Goals or other recognised ESG frameworks.

This will ensure that any ESG-related claims in the Fund’s official documents are credible, measurable, and aligned with recognised standards.

2. Annual Sustainability Report Certification

Additionally, each ESG Fund is required to submit an annual Sustainability Report. This report must be certified by an independent third-party confirming that the Fund’s actual investments during the financial period are compliant with its ESG objectives as stated in their offering document.

Who Qualifies as an Independent Certifier?

The FSC defines an Independent Certifier as one of the following entities with sufficient ESG expertise:

- An auditor registered with the Financial Reporting Council;
- A credit rating agency licensed or recognised by the FSC; or
- Any other approved service provider deemed competent by the FSC.

This ensures that ESG claims are reviewed by qualified professionals who are regulated or approved by competent authorities.

Required Disclosures to Support Certification

1. The Offering Documents

The offering document of an ESG Fund must disclose:

- The Investment objective with a clear description of ESG focus (e.g. climate change, gender diversity) and the ESG criteria and metrics used to assess the achievement of the objective;
- The ESG Investment strategy, including how the Investment objective is implemented and monitored;
- The Asset allocation, providing the percentage of NAV used to reach the Investment objective and a description of how the remaining NAV is invested;
- The ESG benchmark used (if any), and its relevance; and
- The Risks associated with the fund.

2. Annual Sustainability Report Content

Each ESG fund must publish a report annually showing:

- The degree to which the fund's ESG objectives were met;
- The actual percentage of investments that meet ESG criteria;

- Performance comparison with ESG benchmarks (if applicable);
- Activities undertaken to meet ESG goals (e.g. stakeholder engagement);
- Explanation of any non-compliance with the two-thirds NAV requirement;
- Changes made to ESG strategies or methodologies;
- Any additional ESG-related developments the fund deems relevant.

This report must be certified and submitted annually to both the FSC and the Fund's investors..

3. Website Disclosures (if applicable)

If the Fund has a website, it must publish:

- The methods used to measure and monitor compliance with ESG focus;
- The internal and external controls applied to ensure ESG consistency;
- ESG-related due diligence on underlying investments;
- Proxy voting or engagement policies (if applicable);

- Any assumptions made where ESG data is unavailable, or the sources and processing used on ESG data.

Regulatory Oversight and Sanctions

The Fund's governing body or the appointed CIS Manager is responsible for:

- Ensuring that the ESG strategy has been implemented and is in constant conformity with the Fund's constitutive documents;
- Monitoring and evaluating the ongoing compliance of the Fund with the ESG requirements; and
- Notifying the FSC if the Fund no longer meets the ESG criteria or if it no longer wishes to pursue an ESG strategy.

Non-compliance with the Guidelines will lead to the Fund being delisting from the FSC's Register of ESG Funds, and regulatory action could be taken by the FSC if the Fund was to fail to meet its declared Investment objectives.

Conclusion

The Guidelines introduce a clear legal framework for ESG-labelled funds in Mauritius. By requiring independent certification, detailed disclosures, and ongoing monitoring. The aim is to prevent greenwashing; enhance transparency and accountability and align ESG investing with global sustainability standards.

The FSC's move marks a significant step in promoting authentic sustainable investing. By raising the bar for transparency and accountability, Mauritius is not only protecting its investors but also reaffirming its commitment to global sustainability standards.

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